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WHY FOOD SUBSIDIES

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U. S. Department of Agriculture

The high price of food is the grievance of a good many million of us who can't, or don't, threaten to tie up the nation's war production on account of it. And to correct that grievance for everybody, Price Administrator Prentiss Brown ordered cuts of about ten per cent in the retail prices of beef, veal, pork, lamb, mutton, coffee, and butter, to go into effect June 1; these are reductions below the cash price ceilings on meat which are to be announced before that. Now, the people who live by producing or selling these foods have got to make a profit out of them; and accordingly the difference in what the consumer pays will be made up by government subsidies.

These subsidies are paid to the processors of foods—meat packers, and so on; because with the present prices of livestock they will take the squeeze if retail prices are cut down. But they are legally, and in fact, subsidies to maintain production; since if the packers couldn't pay prices that would allow livestock growers a profit, there would be less production of livestock. In actual effect, however, they are subsidies not to the livestock grower, or the packer, or the wholesaler, or the retailer; but to the consumer whose meat will cost him less hereafter. The consumer can't afford to pay so much for food, but people in the food industry, all the way along from the farm to the butcher shop, have to make a profit out of it if they are going to live. So the retail price to the consumer is cut; and to enable the producer and distributor to go on making what they are making now, the government pays the difference.

It will amount, on these commodities now subsidized, to probably three or four hundred million dollars a year; if the practice is extended to other foods it will cost a good deal more. Now, that money is going to come out of all of us, in taxes or in bond purchases, and some people may wonder what we gain by paying it that way rather than in continuing to pay the high prices. Well, we distribute the burden more fairly among those able to pay; and we also help to hold down the cost of living which otherwise would go up in a spiral.

As you all know, this thing called inflation means that people have more money to spend for less goods; and so prices tend to go up. Well, it may be asked why it helps to prevent inflation to have the government pour in three hundred million dollars of tax money, instead of three hundred million dollars the consumer would otherwise spend out of his own pocket. It helps this way. Every individual consumer, whether he is a coal miner or a munitions worker or a shipyard worker or whatever, feels the pinch on his own pocketbook; and as prices go up he wants to make more money to meet them. But if he gets more money—if a whole group of people in a whole industry—get more in wages and salaries to meet these higher prices, those higher wages and salaries raise the production cost of the goods they make; and that means more higher prices, and so

on and so on. Wages will never catch up with prices, at that rate; and wage raises will go , not to the groups that need them most, but to the groups that can put on most pressure. Some of those pressures could gravely endanger the national war effort.

That is the point in these subsidies--to enable all consumers to meet the higher cost of living; whereas making wage raises here and wage raises there would benefit some consumers for a moment, but only at the cost of pushing all prices gradually upward. The action by Mr. Brown was the most decisive action yet taken in the endeavor to hold the line against inflation--to hold it everywhere for the benefit of all consumers, instead of punching a hole in it for the benefit of some consumers. This action, if it works, may be as important a contribution to victory as the capture of Tunis and Bizerte.

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